

IAD's MONTHLY ACTIVITY REPORT

FOR

JUNE 2005

TO THE

BOARD OF SUPERVISORS

The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors.



*Integrity
Objectivity
dependence*

by the Director of Internal Audit

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Monthly Summary – June 2005

Status Report to the Board of Supervisors by IAD

We finished 6 projects this month:

- We completed 3 of our monthly CAAT routines of vendor payments and identified duplicate payments of \$20,000 that are being pursued by the Auditor-Controller.
- We completed 3 Audits:
 - We found that Enterprise Rent-A-Car's lease revenue amounting to **\$1.1 million due** the County was properly remitted.
 - We found the Treasurer's Statement of Assets Held as of March 31, 2005, of **\$5,694,227,406** to be fairly stated.
 - Internal Audit Department facilitated two Controls Self-Assessment (CSA) workshops in Health Care Agency (HCA) Contract Management and Development **designed to improve the department's effectiveness and efficiencies**. HCA Contract Management and Development provided us with a combined action plan for both workshops, which included items that had been initiated, planned, or were under development to address their issues.

Both the workshop summaries and action plans were provided by Internal Audit to the HCA Department Head, the CEO, and Deputy CEO for their review and ongoing monitoring.

Monthly Summary – June 2005

Status Report to the Board of Supervisors by IAD

MATERIAL FINDINGS

Department and Description	Comments
	NONE

NON-MATERIAL FINDINGS

Department and Description	Comments
<p>1. DEPT: John Wayne Airport</p> <p>TITLE: Limited Review of Lease Revenue for Enterprise Rent-A-Car Company of Los Angeles</p> <p><u>Audit No:</u> 2541</p> <p>ISSUED: June 30, 2005</p>	<p>SCOPE: Limited review of lease revenue to determine if gross receipts reported to the County by Enterprise Rent-A-Car were complete and supported by their records.</p> <p>CONCLUSION: We found that Enterprise's gross receipts of \$8 million and \$1.1 million of rent paid to the County were supported by their records and appeared complete. No material weaknesses or significant issues were identified. We identified <u>four</u> reportable conditions related to compliance with the lease agreement.</p> <p>BACKGROUND: In 2000, the County entered into a lease agreement with Enterprise for the operation of a rental car concession at John Wayne Airport. Enterprise generates about \$8 million in gross receipts annually and pays rent to the County of over \$1.1 million annually.</p> <p>TYPE OF RECOMMENDATIONS: Improvements to supporting documentation for rental activity, timing of reporting debit card deposits, format of rent report, and signing the monthly rent report under penalty of perjury.</p>

Monthly Summary – June 2005

Status Report to the Board of Supervisors by IAD

	Department and Description	Comments
2.	<p>DEPT: HCA</p> <p>TITLE: Control Self-Assessment by Health Care Agency Contract Development & Management.</p> <p><u>Audit No:</u> 2443</p> <p>ISSUED: June 21, 2005</p>	<p>SCOPE: The Internal Audit Department facilitated two Control Self-Assessment (CSA) workshops in Health Care Agency (HCA) Contract Management and Development designed to improve the department's effectiveness and efficiencies.</p> <p>CONCLUSION: HCA Contract Management and Development provided us with a combined action plan for both workshops, which included items that had been initiated, planned, or were under development to address their issues. The workshop participants gave the CSA process high ratings in their evaluation of the process.</p> <p>Both the workshop summaries and action plan were provided by the Internal Audit Department to the HCA Department Head, the CEO, and Deputy CEO for their review and ongoing monitoring.</p>

Monthly Summary – June 2005

Status Report to the Board of Supervisors by IAD

	Department and Description	Comments
3.	<p>DEPT: Treasurer-Tax Collector</p> <p>TITLE: Report on Review of the Statement of Assets Held by the County Treasury as of March 31, 2005.</p> <p><u>Audit No:</u> 2508</p> <p>ISSUED: June 2, 2005</p>	<p>SCOPE: In our review of the Treasurer-Tax Collector's (County Treasurer) Statement of Assets Held (financial statement), we performed tests to determine whether the assets (cash, demand accounts, and investments) held by the County Treasury were fairly stated, i.e., the assets exist, and were recorded accurately, completely, and timely.</p> <p>CONCLUSION: Based on our review, we were not aware of any material modifications that should be made to the financial statement for it to be fairly stated.</p> <p>BACKGROUND: At March 31, 2005 the County Treasury had total assets of \$5.694 billion, of which \$3.14 billion was in the County Pool; \$2.49 billion was in the Education Pool; and \$65 million was Non-Pooled.</p> <p>California Government Code requires that the elected Auditor-Controller perform three quarterly reviews and one quarterly audit of the statement of assets in the County Treasury. The Auditor-Controller contracts with the Internal Audit Department to conduct the quarterly reviews and the quarterly audit.</p> <p>TYPE OF RECOMMENDATIONS: None</p>

Monthly Summary – June 2005

Status Report to the Board of Supervisors by IAD

	Department and Description	Comments
4.	<p>DEPT: Board of Supervisors</p> <p>TITLE: Monthly Report on Computer-Assisted Audit Techniques (CAAT) for the Months of April – June 2005</p> <p><u>Audit No:</u> 2518 D-F</p> <p>ISSUED: June 30, 2005</p>	<p>SCOPE: The monthly CAAT Routines are automated queries applied to large amounts of electronic data searching for specified characteristics. We currently perform five CAATs routines utilizing selected payroll and vendor data. Depending on the nature of the CAAT, we perform them monthly, biannually, or annually.</p> <p>CONCLUSION: <u>Duplicate Payments to Vendors:</u> We identified the following duplicate payments made to vendors that are being pursued by the A-C. These 22 duplicate payments represent .041% of the vendor invoices processed during March through May, indicating an appropriate vendor payment process.</p> <ul style="list-style-type: none"> • <u>April 2005:</u> Six duplicate payments for \$4,713. We analyzed 20,252 invoices paid in March 2005 amounting to \$143,424,665. • <u>May 2005:</u> Three duplicate payments for \$2,288. We analyzed 17,011 invoices paid in April 2005 amounting to \$317,295,668. • <u>June 2005:</u> Thirteen duplicate payments for \$12,998. We analyzed 17,587 invoices paid in May 2005 amounting to \$378,047,541. <p>BACKGROUND: The CAATs differ from our traditional audits in that the CAATs can query 100% of a data universe whereas the traditional audits typically test but a sample of transactions from the population.</p> <p>The resulting matches identified by the CAATs are subjected to further review and analysis by the Internal Audit Department. We then forward any resulting findings to the A-C, HR, or CEO/Purchasing for their review and concurrence, and subsequent correction/recovery. We also work with these departments to identify internal control enhancements with the purpose of preventing future occurrences of the type of findings identified by the CAATs.</p>